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Proposed Attorneys for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

Bankruptcy Case No. 19 - 30088 (DM)

PG&E CORPORATION

Chapter 11

- and -

(Lead Case)

**PACIFIC GAS AND ELECTRIC
COMPANY**

(Jointly Administered)

Debtors.

**DECLARATION OF PAUL H. ZUMBRO
IN SUPPORT OF APPLICATION OF
DEBTORS PURSUANT TO 11 U.S.C.
§ 327(a) AND FED. R. BANKR. P. 2014(a)
AND 2016 FOR AUTHORITY TO RETAIN
AND EMPLOY CRAWATH, SWAINE &
MOORE LLP AS CORPORATE AND
LITIGATION COUNSEL FOR THE
DEBTORS EFFECTIVE AS OF THE
PETITION DATE**

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric Company
☒ Affects both Debtors

** All papers shall be filed in the Lead Case,
No. 19-30088 (DM).*

Date: April 23, 2019
Time: 9:30 a.m. (Pacific Time)
Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
San Francisco, CA 94102

Objection Deadline: April 16, 2019
4:00 p.m. (Pacific Time)

1 Pursuant to 28 U.S.C. § 1746, I, Paul H. Zumbro, hereby declare under penalty of
2 perjury as follows:

3 I am a partner of the law firm of Cravath, Swaine & Moore LLP (“**Cravath**”), a New
4 York law firm with offices at 825 Eighth Avenue, New York, New York 10019. I am admitted to
5 practice in the State of New York and am also admitted to practice before this Court *pro hac vice*.
6 (See Docket No. 122.)

7 I submit this Declaration in connection with the Application submitted on the date
8 hereof (the “**Application**”)¹ of PG&E Corporation and Pacific Gas and Electric Company, as debtors
9 and debtors in possession (collectively, the “**Debtors**”) in the above-captioned Chapter 11 cases
10 (the “**Chapter 11 Cases**”), for authority to employ and retain Cravath as corporate and litigation
11 counsel, effective as of January 29, 2019 (the “**Petition Date**”), at its standard hourly rate and in
12 accordance with its standard reimbursement policies, in compliance with section 327(a) of title 11 of
13 the United States Code (the “**Bankruptcy Code**”), and to provide the disclosure required under
14 Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”)
15 and the Bankruptcy Local Rules for the U.S. District Court for the Northern District of California
16 (the “**Bankruptcy Local Rules**”). Unless otherwise stated in this Declaration, I have personal
17 knowledge of the facts set forth herein. To the extent any information disclosed herein requires
18 amendment or modification upon Cravath’s completion of further review, or as additional
19 information regarding parties in interest becomes available, a supplemental declaration will be
20 submitted to the Court reflecting such amended, supplemented or otherwise modified information.

21 Neither I, Cravath, nor any partner or associate of the Firm represents any entity other
22 than the Debtors in connection with the Chapter 11 Cases. In addition, except as set forth herein, to
23 the best of my knowledge, after due inquiry, neither I, Cravath, nor any partner or associate of the
24 Firm represents any party in interest in the Chapter 11 Cases in matters related to the Chapter 11
25 Cases.

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28 ¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to
such terms in the Application.

1 **I. CRAVATH'S CONFLICT DISCLOSURE PROCEDURES**

2 Cravath maintains and systematically updates its computerized conflict check system
3 (the "**Conflict Database**") in the regular course of its business, and it is the regular practice of
4 Cravath to enter and maintain these records. The Conflict Database maintained by Cravath includes
5 (i) the clients by which the Firm is now or has been engaged since 1990, (ii) every active
6 representation on which Cravath is engaged, (iii) every closed matter on which Cravath has been
7 engaged since 1990, (iv) the identity of adverse parties in such representations, (v) the identity of
8 any other parties involved in representations (including affiliates to the extent identifiable) and
9 (vi) the partner(s) at Cravath responsible for each respective matter. Within the Conflict Database,
10 Cravath also maintains confidential lists of possible future business to help identify potential conflict
11 issues that might not be revealed by a review of past and current engagements.

12 It is the policy of Cravath that all requests to engage in new representations must be
13 submitted for approval through the Firm's conflict-of-interest screening process, which begins with a
14 search of the Conflict Database using all relevant entity information connected with the new
15 representation request. Such information includes, but is not limited to: (i) the entity or entities to
16 be represented, (ii) all entities to be otherwise involved in the proposed representation and (iii) the
17 particular matters on which Cravath will be providing representation. The requesting partner or
18 partners then review the results of the conflict check with assistance from the Firm's Office of the
19 General Counsel to determine if there is an actual, possible or potential conflict of interest, and, if so,
20 whether there is a full bar to representation or whether the representation may be undertaken with
21 certain implemented procedures. All proposed representations of entities not previously represented
22 by Cravath and other representations that may present considerable risk to Cravath are reviewed by
23 appropriate department heads, Cravath's Office of the General Counsel and, in sensitive cases,
24 Cravath's presiding partner. A record of this process, without regard to whether the proposed
25 representation is approved, is entered and maintained in the Firm's central repository of conflicts of
26 interest data.

1 **II. CRAVATH'S CONFLICT CHECKING PROCESS IN THESE CHAPTER 11 CASES**

2 Cravath received a comprehensive list of the types of entities that may have contacts
3 with the Debtors (the "**Retention Checklist**"), as well as a list of the names of entities that may be
4 parties in interest in the Chapter 11 Cases (collectively the "**Potential Parties in Interest**" and each
5 a "**Potential Party in Interest**"), both of which were developed by Weil, Gotshal & Manges LLP
6 ("**Weil**") in consultation with the Debtors. The Retention Checklist is attached hereto as **Exhibit A**.
7 In preparing this Declaration, I performed, or caused to be performed, the following actions:

- 8 a. Cravath staff compared the list of Potential Parties in Interest to
9 client matters in the Conflict Database for which professional time
10 was recorded during the two years prior to the comparison. Any
11 matches to names in the Conflict Database generated by the
12 comparison were compiled, together with the names of the
13 respective Cravath attorneys responsible for the identified client
14 matters (the "**Master Conflicts List**").
- 15 b. One or more Cravath attorneys then reviewed the Master Conflicts
16 List and deleted obvious name coincidences and individuals or
17 entities that were adverse to Cravath's clients in both this matter
18 and the matter referenced on the Master Conflicts List. This
19 information was used to create a list of Potential Parties in Interest
20 that are current or former Cravath clients, attached hereto as
21 **Exhibit B** (the "**Disclosure List**"). An entity is listed as a
22 "Current Client" on the Disclosure List if Cravath has any open
23 matters for such entity or a known subsidiary or affiliate of such
24 entity and attorney time charges have been recorded on any such
25 matters within the past two years. An entity is listed as a "Former
26 Client" on the Disclosure List if Cravath represented such entity or
27 a known subsidiary or affiliate of such entity within the past two
28 years based on recorded attorney time charges on a matter, but all
matters for such entity or any known subsidiary or affiliate of such
entity have been formally closed.
- c. Using information in the Conflict Database concerning entities on
the Disclosure List and making general and, if applicable, specific
inquires of Cravath attorneys, Cravath verified that it does not
represent and has not represented any entity on the Disclosure List
in connection with the Chapter 11 Cases.
- d. In addition, a general inquiry was sent by electronic mail to all
Cravath attorneys and legal assistants to determine whether any
such individuals or any members of their households (i) own any
debt or equity securities of the Debtors; (ii) hold a claim against or
interest adverse to the Debtors; (iii) are or were officers, directors,
or employees of the Debtors or any of the affiliates or subsidiaries;
(iv) are related to or have any connections to Bankruptcy Judges in
the Northern District of California; or (v) are related to or have any
connections to anyone working in the Office of the United States
Trustee for the Northern District of California (the "**U.S.
Trustee**").

1 Insofar as I have been able to ascertain, neither I, nor Cravath, currently represents, or
2 has in the past represented, a Potential Party in Interest, except as hereinafter set forth. Through the
3 procedures set forth above, Cravath has determined that it has in the past represented, currently
4 represents and/or may in the future represent, in matters wholly unrelated to the Debtors, the
5 Potential Parties in Interest (or subsidiaries or affiliates thereof) set forth on Exhibit B. To the best
6 of my knowledge and information, of the clients listed on Exhibit B, only three represented more
7 than 1% of Cravath's annual gross revenue for the fiscal year ending on December 31, 2018:
8 JPMorgan Chase Bank, N.A., together with certain affiliates (collectively, "**JPMorgan**"), Goldman
9 Sachs Bank USA, together with certain affiliates, and Morgan Stanley Bank, N.A., together with
10 certain affiliates. In any event, Cravath will not represent any of the foregoing parties in interest or
11 any other party in interest in any facet relating to the Debtors or the Chapter 11 Cases.

12 Despite the efforts described herein to identify and disclose Cravath's connections
13 with the parties in interest in the Chapter 11 Cases, because the Debtors have numerous
14 relationships, Cravath is unable to state with certainty that every client relationship or other
15 connection has been disclosed. In this regard, Cravath will continue to apply the conflicts
16 procedures described above, and if any new material relevant facts or relationships are discovered or
17 arise, Cravath will promptly file a supplemental disclosure with the Court.

18 **III. CRAVATH'S CONNECTIONS WITH THE DEBTORS**

19 Cravath compiled responses to the foregoing inquiries for the purpose of preparing
20 this Declaration. Responses to the inquiries described above indicate that, as of the Petition Date,
21 except as disclosed below, no Cravath attorney or legal assistant, or member of the household of any
22 Cravath attorney or legal assistant, holds any claims against, stock of, or other interests in the
23 Debtors and that no such individuals held significant employment with the Debtors.

24 Two Cravath attorneys have informed the Firm that their spouses are employed at
25 financial management firms that either own debt or equity of the Debtors directly or have other
26 investments with respect to the Debtors' debt or equity. In addition, two Cravath attorneys have
27 advised that they worked with Marta Villacorta, a trial attorney with the Office of the United States
28 Trustee for Region 17, while she was employed by Cravath as a contract attorney. Out of an

1 abundance of caution, Cravath has instituted formal measures to screen these individuals from all
2 aspects of Cravath's proposed representation of the Debtors.

3 From time to time, Cravath partners, associates and employees personally invest in
4 mutual funds, retirement funds, private equity funds, venture capital funds, hedge funds, and other
5 types of investment funds (the "**Investment Funds**"), through which such individuals indirectly
6 acquire a debt or equity security of many companies, one of which may be one of the Debtors, often
7 without Cravath's knowledge. Each Cravath person generally owns substantially less than one
8 percent of such Investment Fund, does not manage or otherwise control such Investment Fund, and
9 has no influence over the Investment Fund's decision to buy, sell, or vote any particular security.
10 The Investment Fund is generally operated as a blind pool, meaning that when the Cravath persons
11 make an investment in the Investment Fund, he, she, or they do not know what securities the blind
12 pool Investment Fund will purchase or sell, and have no control over such purchases or sales.

13 Cravath has rendered, among other services, legal services in connection with
14 litigation, transactional and corporate governance matters to the Debtors, as described more fully in
15 the Application. Most recently, Cravath has provided certain necessary services to enable the
16 Debtors to commence the Chapter 11 Cases, including negotiating the Debtors' debtor-in-possession
17 financing and preparing related filings, preparing certain public disclosures and providing advice
18 regarding corporate governance and strategic matters to the Debtors.

19 **IV. CRAVATH'S CONNECTIONS WITH PARTIES IN INTEREST IN MATTERS**
20 **UNRELATED TO THESE CHAPTER 11 CASES**

21 Either I, or an attorney working under my supervision, reviewed the connections
22 between Cravath and the clients identified on the Master Conflicts List, and the connections between
23 those entities and the Debtors. After such review, either I, or an attorney working under my
24 supervision, determined, in each case, that Cravath does not hold or represent an interest that is
25 adverse to the Debtors' estates and that Cravath is a "disinterested person" as such term is defined in
26 section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code,
27 for the reasons discussed below.
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1 Cravath maintains a large and diversified legal practice, pursuant to which it
2 represents many commercial corporations, financial institutions and other persons and entities.
3 Cravath has formerly represented, currently represents, and may, in the future, represent entities that
4 are claimants or interest holders of the Debtors in matters unrelated to these Chapter 11 Cases.
5 Some of those entities are, or may consider themselves to be, creditors or parties in interest in these
6 Chapter 11 Cases or otherwise have interests in these cases. More specifically, as disclosed in
7 Exhibit B, Cravath currently represents, and formerly has represented, JPMorgan in a variety of
8 corporate and litigation matters. JPMorgan is a pre-petition lender to the Debtors, as co-syndication
9 agent and joint lead arranger bookrunner with respect to both PG&E Corp.'s and the Utility's pre-
10 petition revolving credit facilities. In addition, JPMorgan serves as administrative agent for the
11 Debtors' debtor-in-possession financing facilities. Aggregate fees paid to Cravath by JPMorgan
12 during the fiscal year ending on December 31, 2018 equaled approximately 2.5% of Cravath's
13 annual gross revenues. Cravath's former and current representations of JPMorgan have been and are
14 unrelated to the Debtors or these Chapter 11 Cases. I do not believe that Cravath's representation of
15 JPMorgan precludes Cravath from meeting the disinterestedness standard under the Bankruptcy
16 Code, but I have disclosed this connection out of an abundance of caution.

17 In addition, as part of its practice, Cravath appears in cases, proceedings and
18 transactions involving many different attorneys, counsel, accountants, financial consultants and
19 investment bankers, some of which now or may in the future represent claimants and parties in
20 interest in the Chapter 11 Cases. Cravath has not represented and will not represent any such entities
21 in relation to the Debtors and the Chapter 11 Cases. Cravath does not have any relationship with any
22 such attorneys, accountants, financial consultants or investment bankers that would be adverse to the
23 Debtors or their estates.

24 In the event that there is any dispute between the Debtors and any entity listed on the
25 Disclosure List, Cravath will not represent the Debtors in any matter adverse to such organizations.
26 Any and all such matters will be handled by separate counsel.

27 To the best of my knowledge, information and belief and in accordance with
28 Bankruptcy Rule 5002, no attorney, including any partner, counsel or associate of Cravath has a

1 connection with any United States Bankruptcy Judge in the Northern District of California or the
2 U.S. Trustee that would render Cravath's retention in the Chapter 11 Cases improper.

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4 **V. CRAVATH'S RETAINER, RATES, AND BILLING PRACTICES**

5 Cravath is not a creditor of the Debtors. During the 90-day period prior to the
6 Petition Date (the "**Specified Period**"), Cravath received payments in the amount of \$45,168,152,
7 comprising payments for services performed and expenses incurred primarily between June 2018
8 and the Petition Date, including in preparation for the commencement of the Chapter 11 Cases. In
9 addition, Cravath received the Retainer totaling \$10,000,000 on December 27, 2018, which Retainer
10 was drawn by Cravath in the amount of \$3,026,871 and applied to additional invoices.

11 For the one-year period prior to the Petition Date, Cravath received payments and
12 advances in the aggregate amount of \$75,729,004 (comprised of (i) the above-described \$55,168,152
13 received during the Specified Period, and (ii) \$20,560,852 of payments received during such one-
14 year period but prior to the Specified Period). As of the Petition Date, Cravath has a remaining
15 credit balance in favor of the Debtors for professional services performed and to be performed, and
16 expenses incurred and to be incurred, in connection with these Chapter 11 Cases in the amount of
17 \$6,973,129 (the "**Retainer Balance**"). Cravath intends to apply the Retainer to any outstanding
18 amounts relating to the period prior to the Petition Date that were not processed through Cravath's
19 billing system as of the Petition Date. Such amounts do not exceed the Retainer Balance. Cravath
20 intends to apply any remaining balance of the Retainer as a credit toward services rendered and
21 expenses incurred subsequent to the Petition Date.

22 Cravath intends to charge the Debtors for services rendered in these Chapter 11 Cases
23 at Cravath's standard hourly rates in effect at the time the services are rendered. Cravath's current
24 standard hourly rates are \$1,100 to \$1,500 for partners, \$415 to \$1,090 for associates, and \$290 to
25 \$360 for paraprofessionals. Cravath's hourly rates are set at a level designed to compensate Cravath
26 fairly for the work of its attorneys and paraprofessionals. These hourly rates vary with the seniority
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1 of the individuals assigned and are subject to periodic adjustments to reflect economic and other
2 conditions.²

3 Cravath also intends to seek reimbursement of actual, necessary expenses and other
4 charges incurred by Cravath according to its customary reimbursement policies, subject to any
5 modifications to such policies that Cravath may be required to make to comply with orders of this
6 Court, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and the U.S. Trustee Guidelines
7 for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11
8 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases, effective November 1, 2013, the United
9 States Bankruptcy Court for the Northern District of California Guidelines for Compensation and
10 Expense Reimbursement of Professionals and Trustees, effective February 19, 2014, and the United
11 States Trustee Guidelines Region 17, updated December 16, 2016 (collectively, the “**Fee**
12 **Guidelines**”).

13 No promises have been received by Cravath, or any partner, counsel, or associate of
14 Cravath, as to payment or compensation in connection with the Chapter 11 Cases other than in
15 accordance with the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and
16 the Fee Guidelines. Furthermore, Cravath has no agreement with any other entity to share
17 compensation received by Cravath or by such entity.

18 The Application requests approval of Cravath’s retention on rates, terms, and
19 conditions consistent with what Cravath charges non-Chapter 11 debtors, namely, prompt payment
20 of Cravath’s hourly rates and reimbursement of out-of-pocket disbursements at cost or based on
21 formulas that approximate the actual cost where the actual cost is not easily ascertainable. Subject to
22 these terms and conditions, Cravath intends to apply for allowance of compensation for professional
23 services rendered in the Chapter 11 Cases and for reimbursement of actual and necessary expenses
24 relating thereto, in accordance with the applicable provisions of the Bankruptcy Code, the
25 Bankruptcy Rules, the Local Rules, and the Fee Guidelines.

26 ² Cravath typically increases the hourly billing rate of certain attorneys and paraprofessionals
27 once a year in the form of step increases awarded in the ordinary course on the basis of advancing
28 seniority and promotion. These step increases do not constitute “rate increases” (as the term is used
in the Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses
Filed Under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases, effective November 1, 2013).

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VI. CRAVATH IS DISINTERESTED

Except as set forth herein, and based upon the information available to me, neither I, Cravath nor any attorney employed by Cravath, including any member or associate thereof, insofar as I have been able to ascertain, holds or represents any interest adverse to the Debtors or their estates. In addition, Cravath is not a creditor of the Debtors, as described above. Therefore, based upon the information available to me, I believe that Cravath is a “disinterested person” as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code.

VII. COORDINATION WITH OTHER PROFESSIONALS FOR THE DEBTORS

Cravath is aware that the Debtors have submitted, or intend to submit, separate applications to retain, among others: (i) Weil, as primary bankruptcy counsel, (ii) Keller & Benvenutti LLP (“K&B”), as co-counsel, (iii) Munger, Tolles & Olson LLP, as regulatory counsel, (iv) Lazard Frères & Co. LLC, as investment banker, (v) AP Services LLP, as financial advisor, and (vi) Prime Clerk, LLC, as claims and noticing agent. The Debtors may also file applications to employ additional professionals. Cravath will work with Weil and the Debtors’ management to coordinate its efforts with those of the other professionals retained by the Debtors in these Chapter 11 Cases so as to prevent duplication of services whenever possible.

VIII. ATTORNEY STATEMENT PURSUANT TO FEE GUIDELINES

The following is provided in response to the request for additional information set forth in Paragraph D.1 of the U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases, effective November 1, 2013.

Question: Did you agree to any variations from, or alternatives to, your standard or customary billing arrangements for this engagement?

Response: No.

Question: Do any of the professionals included in this engagement vary their rate based on the geographic location of the bankruptcy case?

Response: No.

Question: If you represented the client in the twelve (12) months prepetition, disclose your billing rates and material financial terms for the prepetition engagement, including any adjustments during the twelve (12) months prepetition. If your billing rates and material financial

terms have changed postpetition, explain the difference and the reasons for the difference.

Response:

Cravath represented the Debtors throughout the twelve months prior to the Petition Date. Cravath's 2018 rates for PG&E matters were as follows:

Partners:	\$968-\$1,610
Associates:	\$351-\$1,040
Paraprofessionals:	\$243-\$360

In January 2019, Cravath adjusted its billing rates for PG&E matters in the ordinary course, as follows:

Partners:	\$1,215-\$1,725
Associates:	\$374-\$1,255
Paraprofessionals:	\$261-\$415

The ranges specified above include both discounts (below) and premiums (above) applicable standard rates, based on specific categories of work as agreed with PG&E. In consultation with PG&E, it was determined that it would be appropriate to revert to standard rates for all categories of work in connection with the commencement of the Chapter 11 Cases. Accordingly, all postpetition work will be billed at Cravath's standard rates, which for 2019 are as follows:

Partners:	\$1,100-\$1,500
Associates:	\$415-\$1,090
Paraprofessionals:	\$290-\$360

Question:

Has your client approved your prospective budget and staffing plan, and, if so, for what budget period?

Response:

Cravath is developing a prospective budget and staffing plan for the Chapter 11 Cases. Cravath and the Debtors will review such budget following the close of the budget period to determine a budget for the following period.

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The foregoing constitutes the verified statement of Cravath pursuant to section 327(a) of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 2016(b).

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Dated March 22, 2019

/s/ *Paul H. Zumbro*

Paul H. Zumbro

Partner, Cravath, Swaine & Moore LLP